

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 1007 - HB 1349**

March 6, 2019

**SUMMARY OF BILL:** Prohibits charging a fee for a business license to any veteran of the United States military, including the National Guard and Reserves.

**ESTIMATED FISCAL IMPACT:**

**Decrease Local Revenue – \$155,500**

Assumptions:

- Tenn. Code Ann. § 67-4-723 stipulates the following regarding business licenses:
  - Persons applying for a business license for businesses located outside municipal boundaries are required to submit a license application to the county clerk and remit a one-time \$15 application fee. The county retains the application fee.
  - Persons applying for a business license for businesses located within municipal boundaries are required to apply with the appropriate city official and remit a one-time \$15 application fee. The municipality retains the application fee.
  - For businesses which have annual sales more than \$3,000 but less than \$10,000, a minimal activity license is required. This license is in lieu of a business license. Minimal activity licenses must be renewed annually at a cost of \$15 each year, paid to the respective local official. The collecting local government retains the application fee.
  - Businesses making less than \$3,000 in annual sales are not required to obtain a business license or minimal activity license.
- Based on information provided by the Department of Revenue, in 2018 county clerks reported the following license applications processed within the county:
  - 48,891 business license applications
  - 8,075 minimal activity license applications
- The total number of annual license applications processed locally is estimated to remain constant.
- Based on 2017 United States Census data, over 50 percent of Tennessee's population resides within incorporated municipal boundaries; therefore, it is reasonably estimated that the same number of license applications are processed by municipalities.

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- According to the most recent U.S. Census Bureau's Survey of Business Owners conducted in 2012, approximately 9.1 percent of all U.S. businesses are majority owned by veterans.
- The proposed legislation will result in approximately 10,368  $\{[(48,891 \text{ business licenses} \times 9.1\%) \times 2 \text{ (counties and municipalities)}] + [(8,075 \text{ minimal activity licenses} \times 9.1\%) \times 2 \text{ (counties and municipalities)}]\}$  license applicants no longer paying a \$15 application fee to local governments annually.
- The recurring decrease in local revenue is estimated to be \$155,520 (10,368 application x \$15 fee).

## **IMPACT TO COMMERCE:**

### **Decrease Business Expenditures – \$155,500**

#### Assumptions:

- The proposed language will result in certain businesses no longer being required to remit \$15 for business licenses to local governments.
- Removing such fees is estimated to result in a recurring decrease in business expenditures estimated to be \$155,520 annually.
- The proposed legislation will not result in any significant impact to jobs in Tennessee.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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